



# Opportunities in Business Protection



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# Agenda

Size of the  
opportunity

What clients  
should I  
target?

How to  
approach the  
conversations

How to  
structure the  
cover

**PATHFINDER**

# The Size of the Opportunity

- SMEs accounted for just under half of all Gross Value Added in the Business Economy in 2014.
- Micro enterprises contributed 24.3% of total GVA.
- Small and Medium enterprises combined, generated the remaining 25% of Gross Value Added

# The Size of the Opportunity

## SMEs: Small and Medium Enterprises - 2015

	Number of enterprises	Number of persons employed	Value added to business economy	Share of business economy
Micro < 10 employees	146,277	309,065	15.7 billion	14.7%
Small (10 – 49)	14,564	285,940	13.7 billion	12.8%
Medium (50 – 249)	2,870	285,882	21.1 billion	19.8%

# Why should I be in this market ?

- Premium Size - Higher sum assured leads to higher premium
- Potential for multiple cases per company – reward v's effort !!!
- Do your clients who need this sort of professional advice find it elsewhere?
- Part of overall package ....retirement planning.....estate planning... increase loyalty
- Opportunity for quality referrals / spin off business - Pension Business

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# Clients to target

- Do you have any clients in your existing client bank who .....
- You have sold company / executive pension to ?
- Are shareholders in a limited company ?
- Are one of 2, 3, 4 owners in a business ?
- Are aged between 30 -55+ ?

# Opportunities

- These are your EXISTING clients to whom you have sold an executive / company pension plan
- You may have discussed this with some of your 'business' clients on prior occasions and they may have felt they had savings / assets they could use to fund a buy back .....do they feel the same today ??
- Any of your business clients for whom you are organising loans ....do they require Keyperson Cover ?



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# Business Owners Priorities

When business is set up

- ☐ Business Plan
- ☐ Staff hired
- ☐ Premises obtained
- ☐ Premises insured
- ☐ Website
- ☐ Product



When business is making money

- ☐ Pay rises
- ☐ Invest in business
- ☐ Hire more staff
- ☐ Pensions
- ☐ Risk reserves



When a risk to the business arises

- ☐ Shareholder dies
- ☐ Keyman leaves





# Helping business clients plan for real risks

- ❑ In 2016 there were a total of 234 fires in industrial buildings and 226 in commercial buildings attended by Irish Fire Brigades.\*



\*Source: Returns supplied by the 37 Irish fire authorities

## Risk of one partner getting sick or dying before age 65

Age	Sole Trader	Two Partners	Three Partners
35	24%	43%	56%
40	23%	42%	55%
45	22%	39%	53%
50	20%	36%	49%

# Business Protection – it makes sense!

- A company insures its building .... machinery or stock!
- Often management and personnel skills are the most important assets!
- How many company's do you know whose building has burnt down?
- Do you know someone in business who died or suffered a serious illness recently ?

# What are you Selling ?

- Good old fashioned Life Cover
- A product that you sell 365 days a year
- A product that you are comfortable talking about
- How do you sell Personal Cover?
  - By creating a need for it
- Business Cover is no different
  - You create the need for it also

# Helping business clients plan for real risks

- Asking good questions
- Painting pictures
- Understanding the client's perspective
- “What would happen if.....”



**“The best way to predict the future is to create it”**

**Abraham Lincoln**

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## Business Structures

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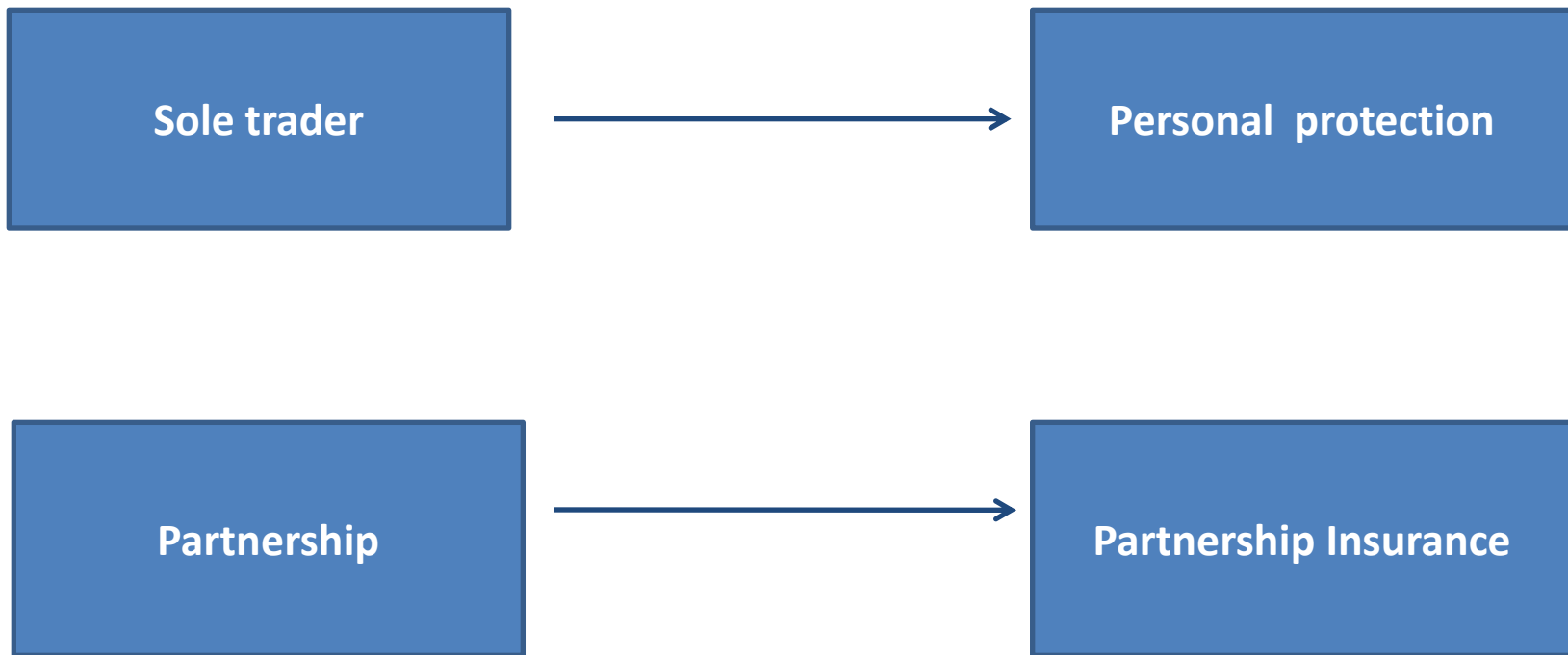
**There are three main types of business structures.**

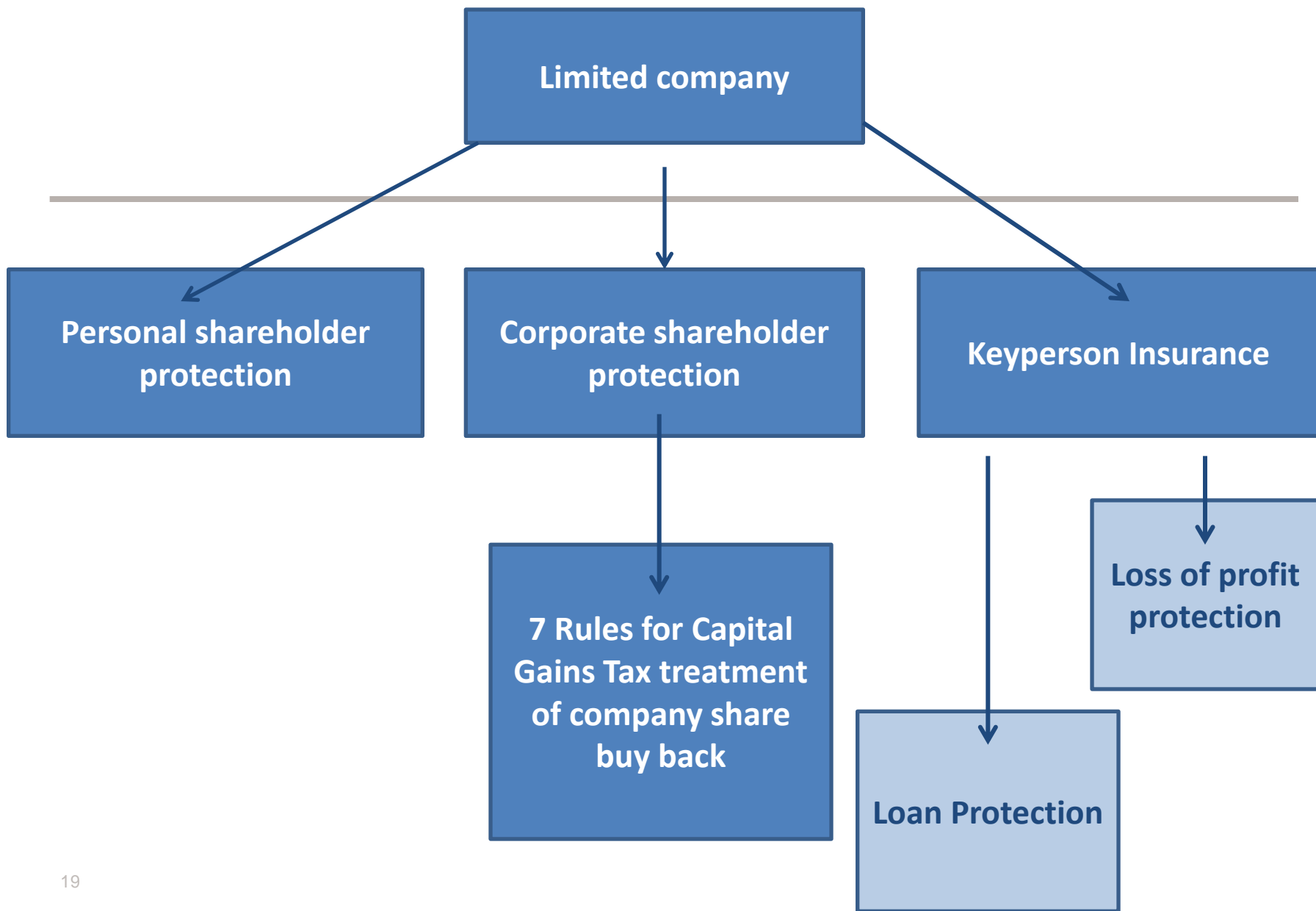
- **Sole Trader**
- **Partnership**
- **Limited/Unlimited Company**

**The financial needs and how they are structured are different depending on the type of business.**

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## Sole traders and Partnerships





# How to structure the cover .....

Depends on what your clients WANT TO HAPPEN ...

- Tell me about your business?
- How is the business structured?
- Who are the shareholders?
- Who are your key employees?

# What do your clients WANT TO HAPPEN .....

- In the event of the death of your **BUSINESS PARTNER** ...
- What will happen to their share of the business?
- Will the deceased's family join the business?
- What will be the impact of such a new inexperienced partner?
- **Remember the answer could be different for each shareholder !!!**

# What do your clients WANT TO HAPPEN....

- In the event of **YOUR** death.....
- What will happen to your shareholding?
- Are your spouse/children in a position to take your place in the business?
- How will your partners react?
- How will your family survive financially?

# What do your clients WANT TO HAPPEN

- What about the death or serious illness of a **Key employee** ??
- Who are your KEY employees ??
- What would happen if one of them died or got seriously ill ??
- Will the company continue to be as successful i.e. profitable ?
- Is there likely to be a temporary loss of key customers/ or of overall direction?
- Is she or he responsible for a key project or new development?

# Keyperson Cover

- Keyperson Insurance is life assurance effected by an employer on the life of a key employee, who may also be a shareholder or director, to protect the company against the financial consequences of that individual's sudden death or serious illness.
- Keyperson Insurance is designed to protect the value of the company's human assets much in the same way as fire insurance protects a company's physical assets.



# Protection required for

- Calling in of company loans
- Business interruption
- Loss of Profit
- Loss of goodwill
- Recruitment & Replacement of key individual
- Quantify the risk !!

# Shareholder Protection

- Protecting business owner's to ensure continuity and control of the business in the event of the death of a shareholder.
- The sudden death of a shareholder can cause problems for both the surviving shareholders and the deceased's next of kin. Putting LIFE COVER in place to allow the surviving owners buy out the deceased's family thus the surviving shareholders retain control of the business and the family has cash for their shares. (Protecting the Shareholders and their families)

# Shareholder Protection

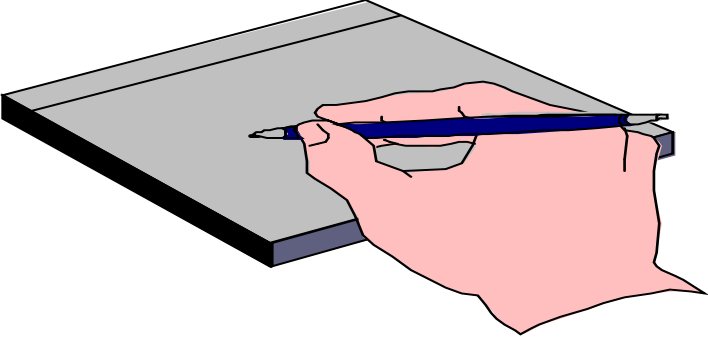
- Corporate Shareholder Protection
- where the “company” enters into a legal agreement with each of the shareholders and the company arranges and pays for the insurance
- Personal Shareholder Protection
- A personal arrangement - where the life assurance policy and legal agreement are entered into by the shareholders of a company in a personal capacity

# Corporate V Personal

- ◆ +’s and -’s
- ◆ suitability in different circumstances

# Corporate Shareholder Protection

- Cost borne by company
  - + High value/older shareholders
  - Complexity - Legal /Tax ?
- Not suitable
- investment companies
- share held for less than 3/5 years
- 36 non resident shareholder



# Important Points

## Legal

✓ Power of Company to buy its own shares

✓ Put & Call Agreement

## Taxation

✓ Capital Gains Tax treatment for seller of shares – family of deceased shareholder

# Requirements for CGT treatment

- Must be an unquoted trading company
- Must be resident and ordinarily resident in the State
- Must have owned the shares for 3 years at death
- Seller must reduce their shareholding by at least 25%
- Seller must not hold more than 30% of the company after the buy back
- Must not be part of any scheme to avoid paying dividends
- Must be for the benefit of the trade

[Back](#)

# Personal Shareholder Protection

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**May be a solution, may not, depends on the circumstances:**

- **Company Buy back not suitable**
- **Young company**
- **Partnership**
- **Legal /Tax issues straight forward?**
- **Personal Cost for owners**
- **May not be suitable if all owners are not involved**



## Personal v Corporate Share

	Personal Shareholder Protection	Corporate Shareholder Protection
Premiums paid by	The shareholder personally	The company
Plan owned / proceeds payable to	The shareholder personally / the trustee of the life assurance plan	The company
Suitable for 'young' start up companies?	Yes	No - 7 rules for Capital Gains Tax treatment on sale of shares back to the company
Suitable for Investment companies	Yes	No - 7 rules for Capital Gains Tax treatment on sale of shares back to the company
Suitable where non resident shareholders	Yes	No - 7 rules for Capital Gains Tax treatment on sale of shares back to the company
Suitable if all shareholders not participating	Only shareholders who participate can benefit – refer to your account manager	Company can effect such cover on just one of it's shareholders

# Case Studies .....

- Case Study 1
- what are the risks for this business ??
- How would you address those risks ??
- What other information do you need ??

# Case Studies .....

- Case Study 2
- Lets discuss it .....

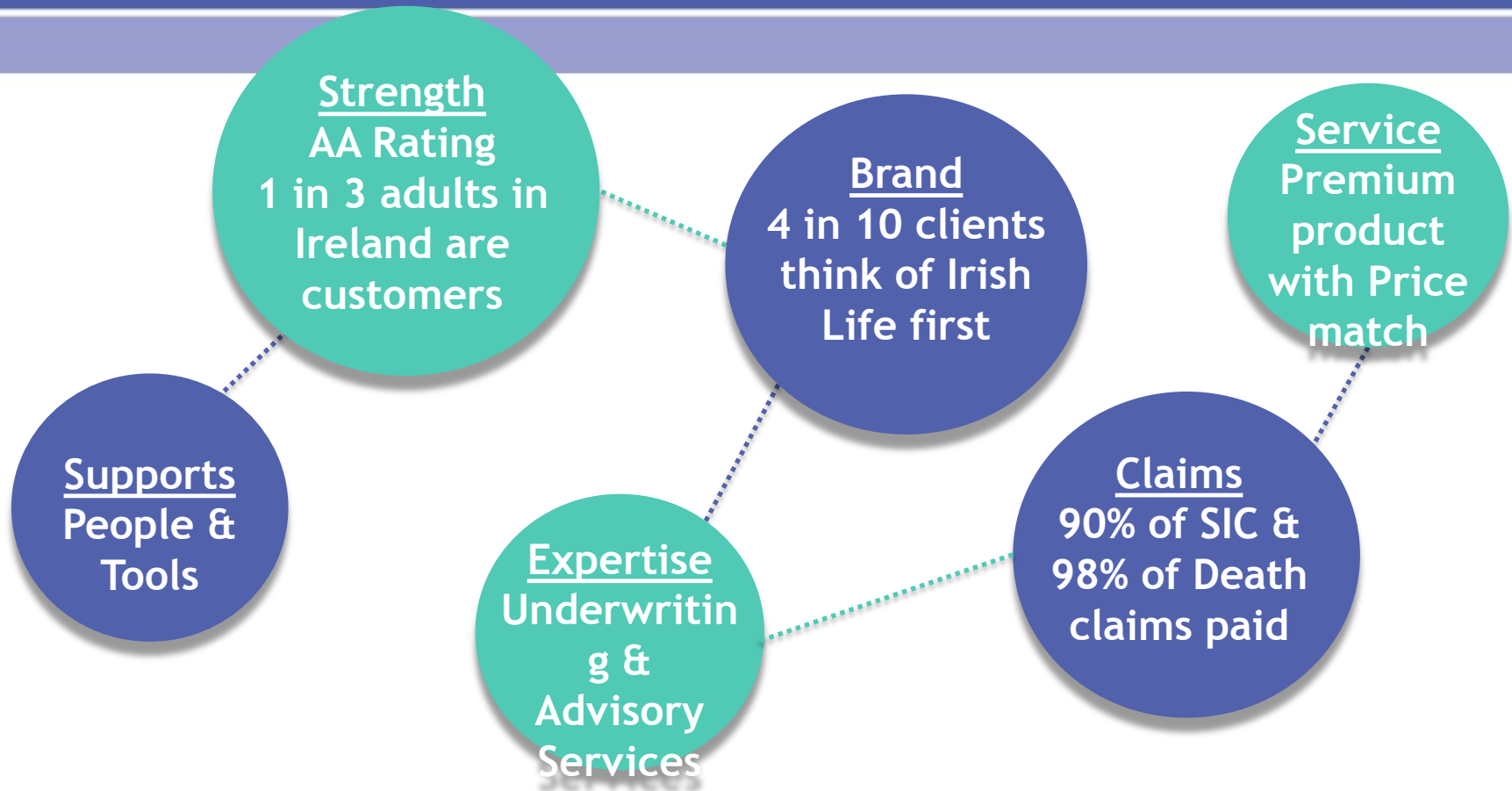
# Business Protection

- **The Importance of Keyperson and Shareholder Protection**
- Ensuring the right amount of money is in the right hands at the right time in a tax efficient manner .....

# Why Irish Life for Protection?

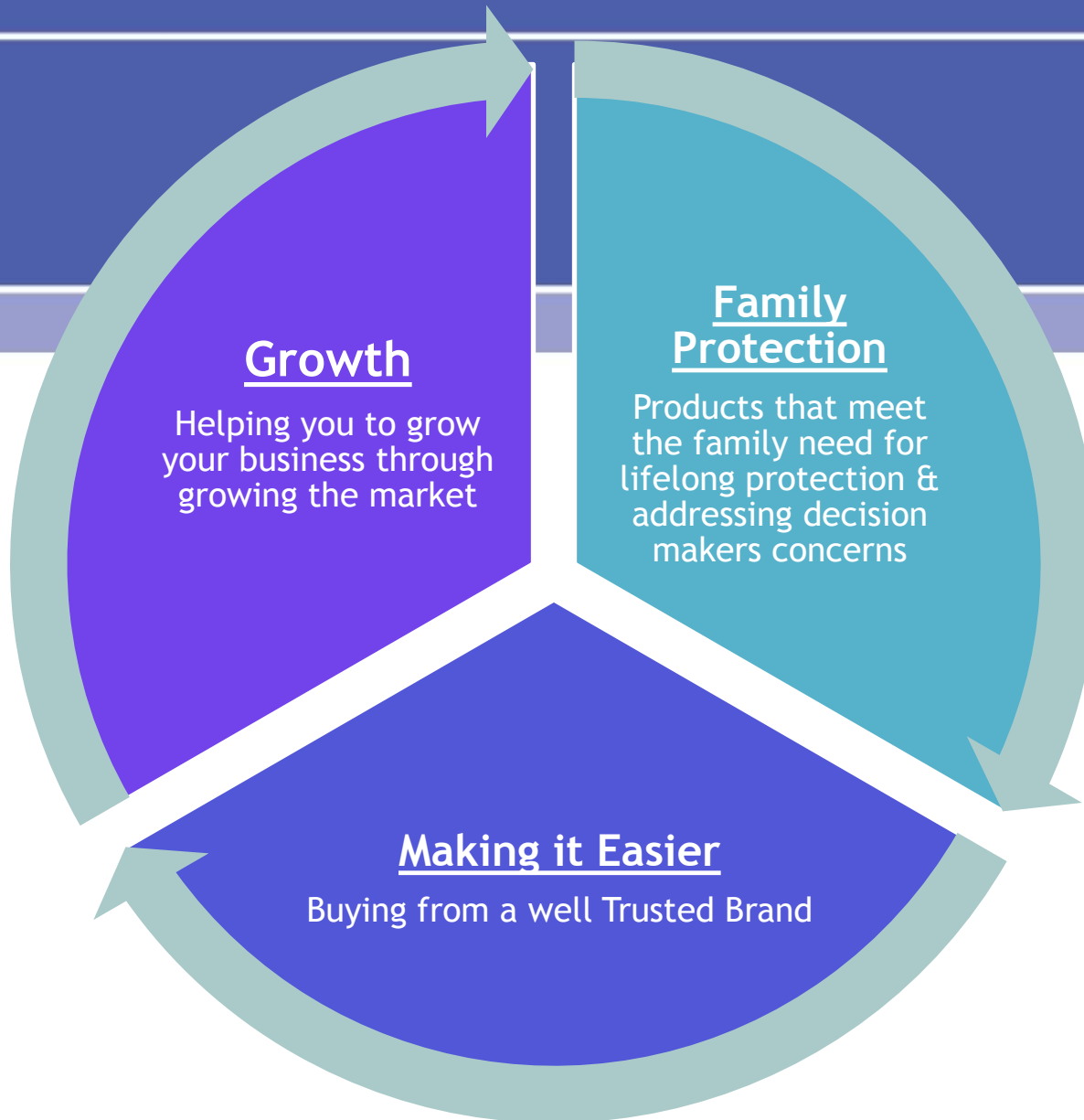


Irish Life





Irish Life



# Growth



Irish Life

## ❑ Huge Opportunity



Over **1 in 2** adults  
in Ireland have **NO** Life  
Insurance whatsoever



Half of those with  
Life Insurance only have  
mortgage protection



Almost **1 in 3**  
parents have no cover

## ❑ Identifying the market opportunity through research



TV



RADIO



ONLINE & SOCIAL



# Family Protection



Irish Life

## 1 - Woman

- ✓ Health centre- access to a team of medical experts
- ✓ Best Life cover – Life partials
- ✓ 5 defined pregnancy related complications

## 2 - Children

- ✓ Life cover - €7k up to age 25
- ✓ SIC cover – from birth to age 25 & up to €25K or half parents amount

## 3 - LifeCare services

- ✓ Access to Medcare, Nursecare & Claims care
- ✓ Comprehensive SIC benefits

## 4 - Rolling Conversion

- ✓ Unique to Irish Life
- ✓ Conversion to Guaranteed Whole of Life at no extra cost



